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Turnover Tax to Be Instituted
Vecherni Novini, Sofia, 2 Nov 1951

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TURNOVER TAX TO BE INSTITUTED -- Sofia, Vecherni Novini, 2 Nov 51

Comrade deputies,

The bill introduced for inaugurating a turnover tax is very important for further strengthening the Bulgarian financial system.

We are engaged in a gigantic construction project.

The report of Comrade Vulko Chervenkov, on the seventh anniversary of the 9 September victory, clearly stresses the achievements we have made in building the foundations of socialism. Bulgarian industry is not only growing by leaps and bounds, but it has also been transformed, and its technical level is constantly being raised.

These extensive achievements were made possible by the correct policy of the People's Government, guided by the Bulgarian Communist Party; the hard and enthusiastic labors of the people; the multilateral, generous, selfless, and regular brotherly assistance of the great USSR; and, personally, our own teacher and leader -- the beloved Comrade Iosif Vissarionovich Stalin.

A contribution to these achievements has also been instituted by a financial system of the People's Government, which is being transformed on a socialist basis, and which, by drawing from the rich Soviet experience, is mobilizing the resources of the socialist economy and the population, using them to build socialism.

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The Bulgarian financial system serves the general policy line of the Party and the People's Government -- the building of socialism in Bulgaria. The Bulgarian budget is by nature creative.

The treasury collects the basic mass of the revenues accumulated in socialist enterprises and organizations.

This year's revenues from the socialist field are above 75 percent in Bulgaria [sic]. These revenues include the following: turnover tax, deductions from profits, budget differences and the income tax from public cooperative organizations. Future revenues from the socialist field will increase even more.

In 1949 the turnover tax yielded 57 billion leva, in 1950-- 67,371,000,000 leva, and in 1951, during the first nine months -- 49,271,000,000 leva.

The increase of revenues collected by the treasury from the socialist field results from the constant increase of production and turnover, the reduction of production costs, increases in labor productivity, savings of raw and other materials, rationalization of production, improvement of economic accounting, et cetera.

In order to assure the regularity and constancy of treasury revenues and in order to stabilize economic accounting at state enterprises, the cash assets of the latter are divided into two categories. One part of the cash asset is deposited in the treasury immediately after sales are made or services rendered. This part of the cash assets is collected by the treasury by means of a tax called the turnover tax. The other part of the cash assets -- the difference between the cost price of the goods and the sales price -- constitutes the profits of the enterprise. This profit also belongs

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to the state; however, it is not collected in its entirety but through deductions from profits.

The turnover tax is also of great importance for preparing the budget. Planning the amount of revenue from this tax can be done easily and adequately if it is based on the sales plan of state and cooperative industrial enterprises, which contribute 99 percent of the total revenues collected by the treasury.

The second important aspect of the turnover tax is its active effect on the fulfillment of enterprise production plans. To insure the fulfillment of the turnover tax collecting plan, the financial officials must personally supervise the fulfillment of the production plan and the sales plan at the enterprise itself, and within due time must notify superior organizations of those enterprises at which plan fulfillment is not running smoothly.

In fixing prices of different goods the turnover tax serves as a regulator of cash assets in the different fields of the national economy.

All these advantages make the turnover tax a handy lever which is used by the People's Democratic State to fix the percentage of profit and other items.

The existing turnover tax law has serious defects. The rich Soviet experience has not been completely utilized.

Its three-year application revealed a number of weaknesses which will be remedied by the new bill.

On the initiative of the President of the Council of Ministers, Comrade Vulko Chervenkov, a new law on turnover tax was drawn up, on the basis of Soviet experience in financial organization, corresponding to the socialist development of Bulgaria.

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The bill is brief, clear and understandable.

The fundamental provisions of the new turnover tax law are:

1. Taxes are paid on turnover from the sale of produced or purchased (agricultural) goods, performed by state, cooperative and public organizations.

2. Private producers pay a turnover tax, increased by five units, but do not pay turnover taxes for the services they have rendered. Instead their income tax is increased by 20 percent.

According to the present turnover tax law private persons and enterprises pay turnover tax for goods produced by them and for services they render at the same norms at which state and cooperative enterprises are taxed.

3. For work done on "ishlems" (order), that is to say processing, finishing, or reprocessing of goods with materials supplied by the customer, the turnover tax is paid only on the fee received. Complex tax calculations are thus eliminated.

4. The internal turnovers in an enterprise are not taxable, with the exception of the following: nonrshing flours, sugar, glucose, sole leather, leathers, textiles, seed-oils, alcohol and paper.

5. Turnover tax not paid in time is charged with an interest of 0.05 percent per day. According to the old turnover tax law the interest was 0.2 percent for each 5 days, or 0.04 percent per day. Aside from this interest the turnover tax not paid on time was collected with a charge of 10 percent if there was a month's delay, or with an increase of 50 percent. According to the new turnover tax law there is no provision for increasing the tax because of delayed payment.

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The new turnover tax law will be of great financial and economic importance.

It will contribute to the further strengthening of the national financial system and of taxation, and will help speed the tempo of Bulgarian socialist construction.

For that reason, on behalf of the parliamentary group of the Bulgarian Communist Party, I declare that my group will vote unanimously in favor of the turnover tax bills.

(Speech reproduced in summarized form)

by *Kiril LAZAROV*
Minister of Finance

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